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Geneva, 7 October 1996

Sessional Committee I

DRAFT REPORT OF SESSIONAL COMMITTEE I

Rapporteur: Mr. Rénald Clérismé (Haiti)

INTRODUCTION - AGENDA ITEMS 4 AND 5

Speakers: Chairman
Officer-in-charge, Office of the Coordinator for Least Developed, Land-locked and Island Developing Countries
Bangladesh (for LDCs)
Ethiopia
Sudan
Ireland (for European Union)
Officer-in-charge, Economic Cooperation among Developing Countries and Special Programmes

Note for Delegations

This draft report is a provisional text circulated for clearance by delegations.

Requests for amendments - to be submitted in English or French - should be communicated by **Friday, 25 October 1996, at the latest** to:

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INTRODUCTION

1. At its 875th (opening) plenary meeting, on 7 October 1996, the Trade and Development Board decided to establish a sessional committee of the whole (Sessional Committee I) to consider and report on the following agenda items:

Item 4: Programme of Action for the Least Developed Countries for the 1990s:

(a) Review of implementation of the Programme of Action for the LDCs for the 1990s;

(b) UNCTAD's contribution to the work of relevant international organizations in the implementation of the Uruguay Round Final Act Decision on Measures in Favour of the Least Developed Countries by assisting the LDCs that are WTO members to take maximum advantage of the special and differential measures provided for in the Uruguay Round Agreements

Item 5: UNCTAD's contribution to the implementation of the United Nations New Agenda for the Development of Africa in the 1990s and the role of UNCTAD in the implementation of the United Nations System-wide Special Initiative on Africa

2. At its first meeting, on 7 October 1996, the Sessional Committee elected Mr. Bozorgmehr Ziaran (Islamic Republic of Iran) as its Chairman and Mr. Rénald Clérismé (Haiti) as its Vice-Chairman-cum-Rapporteur.

3. At the first part of the Board's forty-third session, Sessional Committee I held ... formal meetings.

Chapter I

PROGRAMME OF ACTION FOR THE LEAST DEVELOPED COUNTRIES FOR THE 1990s

(a) REVIEW OF IMPLEMENTATION OF THE PROGRAMME OF ACTION FOR THE LDCS FOR THE 1990s;

(b) UNCTAD'S CONTRIBUTION TO THE WORK OF RELEVANT INTERNATIONAL ORGANIZATIONS IN THE IMPLEMENTATION OF THE URUGUAY ROUND FINAL ACT DECISION ON MEASURES IN FAVOUR OF THE LEAST DEVELOPED COUNTRIES BY ASSISTING THE LDCS THAT ARE WTO MEMBERS TO TAKE MAXIMUM ADVANTAGE OF THE SPECIAL AND DIFFERENTIAL MEASURES PROVIDED FOR IN THE URUGUAY ROUND AGREEMENTS

(Agenda item 4)

4. For its consideration of agenda item 4, the Board had before it the following documentation:

"The Least Developed Countries 1996 Report
The Least Developed Countries 1996 Report: An Addendum"
(TD/B/42(2)/11-UNCTAD/LDC(1996) and Add.1

"Report of the High-level Intergovernmental Meeting on the Mid-term Global Review of the Programme of Action for the Least Developed Countries for the 1990s" (TD/B/LDC/GR/8)

5. The **Chairman** (Islamic Republic of Iran) said that in his overview of The Least Developed Countries 1996 Report, the Secretary-General of UNCTAD noted that, as a group, the LDCs had not fared well in terms of economic development over the last two decades, although some individual countries had made significant progress. The marginalization of a significant number of the LDCs from the mainstream of the world economy was reflected in an array of important economic and social indicators. Globalization and liberalization had profound implications for LDCs in terms of their position in the world economy, their development prospects and the nature of their economic policies. He noted with serious concern that resource flows to LDCs from their major development partners had declined from 0.09 per cent in 1990 to 0.07 per cent in 1994 - less than half the aid targets and commitments set out at the Paris Conference. Such a decline in resource flows would seriously undermine the development efforts of the LDCs and their capacity to attract other forms of development financing. UNCTAD IX called for the expeditious implementation of the agreed menu of aid targets

and/or commitments undertaken in the Programme of Action. He hoped that deliberations of the TDB would contribute to realizing such an objective.

6. He stressed that the heavy external debt burden of the LDCs called for urgent action to substantially reduce the outstanding debt stock. A comprehensive and concerted approach was needed. It was in this spirit that the recent multilateral debt relief initiative by the Bretton Woods institutions was a welcome development.

7. He drew the attention of the Committee to the addendum to the LDCs 1996 Report which addressed the important issue of strengthening the LDCs' capacity for participation in the multilateral trading system. It identified specific programmes which could ease the economic adjustment burden on the LDCs. He looked forward to a useful discussion on that issue and hoped that it would result in timely inputs to the initiative currently under way in the World Trade Organization (WTO) which would be submitted to the Singapore Ministerial Meeting.

8. The **Officer-in-charge, Office of the Special Coordinator for Least Developed, Land-locked and Island Developing Countries** introduced item 4 of the agenda on the Programme of Action for the Least Developed Countries for the 1990s. He said that, as indicated in the LDCs 1996 Report, after many years in which the per capita incomes of some LDCs stagnated and others declined, LDCs' economies displayed some modest progress in 1994 and 1995 when GDP was estimated to have grown at an average rate of 3 per cent. The most notable improvement in economic performance had occurred in the African LDCs where aggregate GDP growth was estimated to have increased to 2.2 per cent in 1995, compared with an annual average growth rate of 0.6 per cent during the period 1990-1994. Referring to external resource flows, he said that the share of LDCs' official development assistance (ODA) in DAC donors' GNP declined from 0.09 per cent in 1990 to 0.07 per cent in 1994 - less than half of the aid targets and commitments set at the Paris Conference, and with fewer donor countries meeting those targets than in 1990. The overall aid outlook remained quite uncertain. The report recommended two broad courses of action in that regard: one was to prioritize LDCs in donors' aid programmes more clearly and the second was to sustain multilateral aid flows to LDCs.

9. The external debt burden remained exceptionally high for most LDCs. At the end of 1994, their total debt stock stood at US$ 128 billion, an estimated 71 per cent of their combined GDP. For almost half the LDCs, the size of the debt stock equalled or exceeded their GDP. Referring to the recent initiatives on bilateral and multilateral debt, he said that a number of least developed countries were likely to benefit from these initiatives.

10. The need to assist the LDCs in meeting the challenges posed by the Uruguay Round Agreements was recognized at the Marrakesh Ministerial Meeting. The LDCs' need for assistance had also been the concern of a number of organizations and forums such as the Mid-term Global Review of the Programme of Action, UNCTAD IX and WTO. The concessions granted to LDCs by the Special and Differential (S&D) treatment clauses and measures in their favour were clearly important and necessary instruments for facilitating their integration, but they did not sufficiently address the major problem facing the LDCs in the new multilateral trading system: the lack of capacity to produce competitively traditional and non-traditional goods and services for both export and domestic markets, which stemmed from their structural weaknesses.

11. For the LDCs to reap the full potential benefit of the Uruguay Round Agreements, concrete and positive action should be directed at two broad areas: measures to overcome, or at least ameliorate, structural weaknesses of the LDCs in order to enhance their trade performance; and effective implementation of the Uruguay Round Agreements, and the expeditious implementation of the S&D provisions and the "Decisions on Measures in Favour of LDCs" and consideration of further S&D treatment.

12. LDC governments had to intensify efforts directed at overcoming their structural weaknesses as well as to continue to implement trade policy reforms. Other issues which ought to be tackled at the national level included human resources development, technological capacity building and improving the productivity and efficiency of agriculture.

13. He referred to the technical cooperation programmes, at the bilateral and multilateral levels, required to complement LDCs' efforts and which could be cast within a short- and long-term framework. The elements of those programmes were elaborated in the addendum to the LDCs 1996 Report. UNCTAD, in collaboration with other multilateral and bilateral institutions, was playing a crucial role in facilitating the integration of the LDCs into the multilateral trading system through joint technical cooperation programmes. He mentioned some of the activities and programmes already under way in this regard.

14. The spokesman for the **Least Developed Countries** (Bangladesh), said that the least developed countries had wide-ranging problems arising out of a combination of both domestic and external factors. These problems and measures to address them had been recognized by the international community. He emphasized that the LDCs, on their part, had been implementing wide-ranging socio-economic and political reforms. They had been pursuing macroeconomic policies aimed at poverty alleviation, acceleration of economic growth and

sustainable development. In spite of these policies, the LDCs had remained economically vulnerable and confronted with the danger of further marginalization, as reflected in The Least Developed Countries 1996 Report.

15. The LDCs' endeavours needed to be supplemented by international support measures. That would be in line with the principles of shared responsibility and strengthened partnership for accelerated growth and development of the LDCs. With a view to enabling the LDCs to cope with the challenges in the aftermath of the Uruguay Round and facilitating their integration into the global trading system, it was necessary to implement fully and expeditiously the Marrakesh Ministerial Declaration in letter and spirit. The international community and multilateral institutions including UNCTAD, WTO and the Bretton Woods institutions, therefore, needed to come forward to render assistance to supplement the LDCs' own efforts. He enumerated several measures which ought to be considered including the proper assessment of gains and losses arising out of the implementation of the Uruguay Round Agreements, the commitment to supportive and flexible application of rules in favour of LDCs, exploring the possibilities of enhancing market access for LDCs, reviewing and rationalizing the notification procedure to enable LDCs to fulfil their obligations, according to the LDCs' supportive treatment in all future negotiations conducted in terms of the Uruguay Round Agreements, extending adequate technical assistance to the LDCs in the form of consultancy services, advisory missions and training facilities and special measures to alleviate the problems of land-locked countries.

16. Referring to the dependence of the LDCs on ODA, he said that the shrinking of ODA from 0.09 per cent in 1992 to 0.7 per cent in 1994 was a matter of serious concern to the LDCs. He expressed the LDCs' deep appreciation to the countries which had met or exceeded the ODA targets and hoped that the ODA target of 0.15 per cent of donors' GNP to LDCs would be fulfilled in the future. He called for adequate and timely funding of multilateral financial institutions and organizations which provided a significant part of the LDCs' external financing and innovative approaches for increasing foreign direct investment (FDI) flows to the LDCs.

17. He said that the debt relief measures taken so far had proved insufficient to reduce the LDCs' liability to a sustainable level. A substantial relief of the LDCs' debt burden would require more vigorous and effective measures on the part of the donor countries and the multilateral financial institutions. He called upon them to consider adoption of appropriate remedial measures, including debt cancellation for all LDCs, irrespective of their level of indebtedness.

18. He called upon developed countries to cooperate in the promotion of economic and technical cooperation between the LDCs and other developing countries through triangular and joint ventures.

19. It was important that UNCTAD, which was the focal point at the global level for the monitoring, follow-up and review of the implementation of the Programme of Action, be provided with the requisite capacity and resources to monitor the outcome of the Mid-term Global Review, as well as the conclusions and recommendations in favour of LDCs adopted by the other major global conferences. He hoped that the restructuring of UNCTAD would not reduce its capacity and resources to deal with LDC matters in a comprehensive and effective manner.

20. The representative of **Ethiopia** referred to the wide-ranging and comprehensive economic and policy reforms implemented by the LDCs to reduce macroeconomic imbalances in their economies. However, many of the constraints imposed on and the challenges facing these countries were structural and not easily overcome in the short term. Following a long period of persistently declining GDP growth and deteriorating per capita income, the growth performance of the LDCs had improved modestly in 1995 and was forecast to continue to improve in 1996. The most notable feature was the marked improvement in the performance of the African LDCs. While higher commodity prices had boosted export earnings and provided an important stimulus to growth in many LDCs, the concern was that such improvements in the terms of trade might only be transitory.

21. He said that the LDCs were concerned with the shrinking level of aid and called upon their development partners to provide a substantial increase in the level of external financial resources to the LDCs in line with the commitments undertaken in the Programme of Action and during the Mid-term Global Review. Their most difficult problem was external debt. Despite some debt relief measures, the level of debt stock and its servicing had severely constrained the development efforts of these countries. Creditor countries and the Bretton Woods institutions should take urgent and effective measures to alleviate the debt problems of the LDCs.

22. Commenting on the economic situation in Ethiopia he said that, following several years of poor economic performance, macroeconomic stabilization and structural adjustment, reforms were implemented to transform the economy from a centrally planned economy into a market economy. Those reforms had shown encouraging results as GDP grew at an average annual rate of 6.5 per cent during the period 1992-1995 after decades of stagnation and decline.

23. He emphasized that the economic policy reforms that the LDCs were undertaking should receive support from the international community to avoid the dangers of marginalization of those countries. UNCTAD had a unique role as a focal point at the global level for the implementation of the Programme of Action for the Least Developed Countries for the 1990s. He welcomed the establishment of the Trust Fund for the LDCs and hoped that it would become operational as soon as possible.

24. The representative of **Sudan** commended the UNCTAD secretariat for the high quality of the LDCs 1996 Report. He said that despite the far-reaching political and economic reforms implemented by the LDCs in the context of structural adjustment programmes, a decisive reversal of the socio-economic deterioration in those countries was not yet in sight. Their development problematique was further compounded by the process of rapid globalization and liberalization. He urged donor countries to expeditiously implement the agreed menu of aid targets and commitments as set out in the Programme of Action and reaffirmed by the Mid-term Global Review. He called upon LDCs' development partners to undertake practical measures to translate the emphasis given by the Heads of States and Governments of the Group of Seven major industrialized countries into concrete and early action, with a view to providing the LDCs with a substantially increased volume of ODA.

25. He noted with keen interest the recent multilateral debt relief initiative by the Bretton Woods institutions. He added that the effectiveness of the initiative would critically depend on the nature of eligibility criteria and emphasized that all debt-distressed LDCs should be brought under this initiative. The debt reduction should be large enough to bring the debt servicing of those countries to sustainable levels. He called upon all creditor countries to fully cancel all bilateral official debt owed by the LDCs.

26. He stressed the need for concrete action to fully and expeditiously implement the Marrakesh Declaration in favour of the LDCs. UNCTAD should continue its work to closely follow the implementation of the commitments of the Uruguay Round Agreements in favour of the LDCs, analyse the impact of the Round on individual LDC economies and make proposals on ways and means to implement the commitments in their favour. UNCTAD should also provide technical assistance to those countries to strengthen their negotiating capacities and ability to implement and derive benefits from the results of the Round.

27. In that regard, he called for the strengthening of the Office of the Special Coordinator for LDCs to enable it to effectively coordinate the sectoral work in favour of the LDCs and monitor the implementation of the Programme of

Action. He also welcomed the establishment of the Trust Fund for LDCs which should be operationalized as soon as possible. He urged the donor countries to generously contribute to the Fund.

28. The representative of **Ireland**, speaking on behalf of the **European Union**, commended the UNCTAD secretariat for preparing and presenting The Least Developed Countries 1996 Report which gave a comprehensive overview of developments in and affecting the LDCs. The Report was a reminder of the rich resource of analysis and information available to the UNCTAD secretariat. He said that the European Union (EU) would not be making a lengthy formal statement as it wanted to move away from such exchanges to a wider more open debate. He stressed the importance the EU attached to the review of the Implementation of the Programme of Action and said that it looked forward to contributing to the evolving debate on this important issue. The EU believed that it was important to focus on the situation and needs of the LDCs and looked for action-oriented results. The EU particularly welcomed the fact that UNCTAD IX had called for priority to be accorded to the LDCs in UNCTAD's technical assistance and substantive policy work. The EU hoped that the outcome of the deliberations of the Committee would set the tone for the work for the coming year and would reflect the working of the new UNCTAD instituted by member States.

Chapter II

UNCTAD'S CONTRIBUTION TO THE IMPLEMENTATION OF THE UNITED NATIONS NEW AGENDA FOR THE DEVELOPMENT OF AFRICA IN THE 1990s AND THE ROLE OF UNCTAD IN THE IMPLEMENTATION OF THE UNITED NATIONS SYSTEM-WIDE SPECIAL INITIATIVE ON AFRICA

(Agenda item 5)

29. For its consideration of agenda item 5, the Board had before it the following documentation:

Report by the UNCTAD secretariat (TD/B/43/6).

30. The **Officer-in-charge of the Economic Cooperation among Developing Countries and Special Programmes**, commenting on agenda item 5 reminded the committee that, in accordance with the final outcome of UNCTAD IX, the Board would review, at its annual session, progress in the implementation of the United Nations New Agenda for the Development of Africa. He briefly presented the secretariat's document on this agenda item (document TD/B/43(6)). The secretariat's document covered UNCTAD activities that address the African situation in the areas of policy research, analysis and technical cooperation.

31. The progress report before the Board took into account three factors. First, that this session of the Board would provide Board members with the first opportunity, following UNCTAD IX, to consider the relevant and/or the necessary reorientations of UNCTAD's contribution to the implementation of the New Agenda. Secondly, that the General Assembly, in its current session, was undertaking the mid-term review of the New Agenda. Finally, that the Board might wish to consider implications for UNCTAD's work of the United Nations System-wide Special Initiative on Africa.

32. He then gave a brief summary of the latest trends and developments in the socio-economic performances of African countries. Noting that the African continent was vast and, therefore, did not fit the generalizations made for all its countries, he pointed out that some African countries were moving ahead with economic reforms and showing signs of progress. The question for those countries was the sustainability of such progress. In other countries, however, reforms had proved to be more difficult. Some countries were faced with massive socio-economic problems, including the difficult political and institutional transitions that were necessary for good economic performance.

33. He expressed hope that the international community would intensify its efforts in providing assistance to the African countries. The resources needed for the socio-economic transformation of Africa could not come solely from the African people - most of whom were marginalized and led subsistence lives - but should come from governments and multilateral financial banking institutions. UNCTAD's primary objective was to ensure that such assistance was given in the context of sustainable and equitable growth and development in tandem with sound policy and technical assistance. UNCTAD would also play its full part in the implementation of the United Nations Special Initiative on Africa, particularly in the areas of trade, investment and development in general.

34. In conclusion, he pointed out that the most important tasks he had carried out were the effective implementation of the various programmes and set of activities already identified by the Board, particularly in the areas of economic integration and cooperation, investment promotion and sustainable development.